Dubai Insurance Company
(Public Shareholding Company)

FINANCIAL STATEMENTS

31 DECEMBER 2010

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DUBAI INSURANCE COMPANY (PSC)

Report on the Financial Statements

We have audited the accompanying financial statements of Dubai Insurance Company (PSC) ("the Company"), which comprise the statement of financial position as at 31 December 2010 and the statement of income, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company, the UAE Commercial Companies Law of 1984 (as amended) and the UAE Federal Law No. (6) of 2007, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended), the UAE Federal Law No. (6) of 2007 and the articles of association of the Company; proper books of account have been kept by the Company; and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), of the UAE Federal Law No. (6) of 2007, or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by:
Joseph A. Murphy
Partner
Registration No. 492

2 March 2011

Dubai, United Arab Emirates

STATEMENT OF INCOME
For the year ended 31 December 2010

	Notes	2010 AED'000	2009 AED'000
UNDERWRITING INCOME			
Gross premium		**210,012**	160,540
Movement in provision for unearned premium		**(17,000)**	(9,321)
Insurance premium revenue	3	**193,012**	151,219
Reinsurance share of premium	3	**(108,991)**	(73,732)
Net insurance premium revenue		**84,021**	77,487
Commission income		**14,089**	13,188
Other income		**901**	1,065
Total underwriting income		**99,011**	91,740
UNDERWRITING EXPENSES			
Claims	4	**88,616**	118,245
Reinsurers' share of claims	4	**(49,348)**	(82,811)
Commission expenses		**30,142**	27,161
Excess of loss reinsurance premium		**935**	1,202
General and administration expenses relating to underwriting activities		**10,163**	9,612
Total underwriting expenses		**80,508**	73,409
NET UNDERWRITING INCOME		**18,503**	18,331
INVESTMENT INCOME			
Realised gains on disposal of investments		**-**	1,838
Fair value loss on financial assets at fair value through profit or loss		**(431)**	(863)
Other investment income	6	**9,788**	10,370
		9,357	11,345
OTHER INCOME AND EXPENSES			
General and administration expenses not allocated		**(3,841)**	(3,137)
Other (expenses) income		**(472)**	704
		(4,313)	(2,433)
PROFIT FOR THE YEAR	7	**23,547**	27,243
Basic and diluted earnings per share (AED)	8	**0.22**	0.26

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	2010	*2009*
	AED'000	*AED'000*
Profit for the year	**23,547**	27,243
Other comprehensive income		
Net unrealised loss on investments	**(22,185)**	(4,025)
Other comprehensive loss for the year	**(22,185)**	(4,025)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,362**	23,218

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	2010 AED'000	2009 AED'000
ASSETS			
Office equipment and vehicles	9	**1,205**	1,602
Advances for purchase of land	10	**43,307**	32,315
Investment properties	11	**1,686**	2,421
Financial assets	12	**208,368**	235,442
Reinsurance assets	21	**83,265**	91,900
Insurance receivables	14	**99,650**	78,322
Prepayments and other receivables	15	**4,387**	3,945
Statutory deposits	16	**10,000**	10,000
Cash and cash equivalents	17	**26,598**	12,200
TOTAL ASSETS		**478,466**	468,147
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**100,000**	100,000
Statutory reserve	19	**49,296**	46,941
General reserve	19	**3,500**	3,500
Retained earnings		**77,710**	82,868
Cumulative changes in fair value of investments		**22,308**	44,493
Proposed dividends – cash	20	**25,000**	25,000
Total equity		**277,814**	302,802
Liabilities			
Insurance contract liabilities	21	**124,958**	124,818
Amounts held under reinsurance treaties		**10,494**	8,969
Reinsurance balances payable		**34,578**	13,041
Trade and other payables	22	**30,622**	18,517
Total liabilities		**200,652**	165,345
TOTAL EQUITY AND LIABILITIES		**478,466**	468,147

The financial statements were authorised for issue in accordance with a resolution of the directors on 2 March 2011.

Buti Obaid Almulla
Chairman

Marwan Abdulla Al Rostamani
Vice Chairman

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	Notes	2010 AED'000	2009 AED'000
OPERATING ACTIVITIES			
Profit for the year		23,547	27,243
Adjustments for:			
Depreciation on office equipment and vehicles	9	862	857
Depreciation on investment properties	11	735	736
Provision for employees' end of service benefits	23	244	292
Gain on sale of available-for-sale financial assets		-	(1,838)
		25,388	27,290
Changes in operating assets and liabilities:			
Financial investments at fair value through profit or loss		4,889	(59,556)
Reinsurance assets		8,635	(42,955)
Insurance receivables		(21,328)	(12,016)
Prepayments and other assets		(442)	(1,545)
Insurance contract liabilities		140	46,368
Amounts held under reinsurance treaties		1,525	(1,096)
Reinsurance balances payable		21,537	4,568
Trade and other payables		12,098	(724)
Cash generated from operations		52,442	(39,666)
Employees' end of service paid	23	(237)	(17)
Net cash from (used in) operating activities		52,205	(39,683)
INVESTING ACTIVITIES			
Purchase of office equipment and vehicles	9	(465)	(656)
Advances made on purchase of land	10	(10,992)	(10,662)
Proceeds from sale of available-for-sale financial assets		-	4,518
Net cash used in investing activities		(11,457)	(6,800)
FINANCING ACTIVITIES			
Dividends paid		(25,000)	(30,000)
Directors' fees		(1,350)	(900)
Net cash used in financing activities		(26,350)	(30,900)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		14,398	(77,383)
Cash and cash equivalents at 1 January		12,200	89,583
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	26,598	12,200

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Proposed dividends AED'000*	*Cumulative changes in fair value of investments AED'000*	*Total AED'000*
As at 1 January 2010	100,000	46,941	3,500	82,868	25,000	44,493	302,802
Profit for the year	-	-	-	23,547	-	-	23,547
Other comprehensive loss	-	-	-	-	-	(22,185)	(22,185)
Total comprehensive income	-	-	-	23,547	-	(22,185)	1,362
Transfer	-	2,355	-	(2,355)	-	-	-
Directors' fees	-	-	-	(1,350)	-	-	(1,350)
Cash dividend paid	-	-	-	-	(25,000)	-	(25,000)
Proposed dividend-cash	-	-	-	(25,000)	25,000	-	-
As at 31 December 2010	**100,000**	**49,296**	**3,500**	**77,710**	**25,000**	**22,308**	**277,814**
As at 1 January 2009	100,000	44,217	3,500	84,249	30,000	48,518	310,484
Profit for the year	-	-	-	27,243	-	-	27,243
Other comprehensive loss	-	-	-	-	-	(4,025)	(4,025)
Total comprehensive income	-	-	-	27,243	-	(4,025)	23,218
Transfer	-	2,724	-	(2,724)	-	-	-
Directors' fees	-	-	-	(900)	-	-	(900)
Cash dividend paid	-	-	-	-	(30,000)	-	(30,000)
Proposed dividend-cash	-	-	-	(25,000)	25,000	-	-
As at 31 December 2009	100,000	46,941	3,500	82,868	25,000	44,493	302,802
	(Note 18)	*(Note 19)*	*(Note 19)*		*(Note 20)*		

The attached notes 1 to 28 form part of these financial statements.

1 CORPORATE INFORMATION

Dubai Insurance Company (PSC) ("the Company") is a public shareholding company and is registered under the Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE. The company mainly issues short term insurance contracts in connection with motor, marine, fire, engineering and general accident (collectively known as general insurance) and medical, group life and individual life policies (collectively referred as life assurance). The Company also invests its funds in investment securities and investment properties. The registered address of the Company is P.O. Box 3027, Dubai, United Arab Emirates. The Company operates in United Arab Emirates and most of the insurance policies are issued in the UAE. The shares of the Company are listed on the Dubai Financial Market.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and applicable requirements of United Arab Emirates Laws.

The financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets carried at fair value. The financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of income unless required or permitted by any accounting standard or interpretation.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new IFRS as of 1 January 2010 which have had an impact on the financial statements:

IFRS 9 Financial Instruments: (Phase 1)
The Company has early adopted IFRS 9 during the year. On 12 November 2009, the International Accounting Standards Board published the first phase of IFRS 9 *Financial Instruments*, the accounting standard that will eventually replace IAS 39 *Financial Instruments: Recognition and Measurement.*

Phase 1 of IFRS 9 is applicable to all financial assets within the scope of IAS 39. All financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or profit or loss. This is an irrevocable choice the entity makes by instrument unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss.

The Company has applied the new standard from 1 January 2010 and reclassified, with effect from 1 January 2010, all available for sale securities that were still held at 31 December 2010 as fair value through OCI.

Restatement of comparative figures has not been performed following adoption of this standard as it is not required for early adoption of IFRS 9. If IFRS 9 had not been adopted in 2010, the impact of impairment losses on available for sale investments held as of 31 December 2010 would have been to reduce the profit for the year by AED 5,233 million and to increase the other comprehensive loss for the year by the same amount. Earnings per share would have been (AED 0.18) per share. There is no impact on total comprehensive income or equity following the adoption of IFRS 9.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IASB Standards and Interpretations issued but not adopted

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation - Classification of Rights Issues

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

Improvements to IFRSs (issued in May 2010)

The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below.

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes*

The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted the preparation of the financial statements are set out below:

Revenue recognition

Gross premiums
Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Gross premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Premiums on general insurance policies are accounted for on the date of writing of policies except premium income on marine cargo policies which is accounted for on the expected date of voyage. Premiums are adjusted for unearned premium.

Premiums on life assurance policies are accounted for on the date of writing of policies and on subsequent due dates.

Reinsurance premiums
Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Commissions earned
Commissions earned are recognised at the time policies are written.

Other investment income
(i) Interest income is recognised on a time proportion basis.
(ii) Dividend income is accounted for when the right to receive payment is established.
(iii) Rental income is recognised as income over the period to which it relates.

Claims and expenses recognition
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Provision for incurred but not reported claims is included within additional reserve.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost
Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

Policy acquisition costs
Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the statement of income when incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General and administration expenses
Direct expenses of general insurance business are charged to respective departmental revenue accounts. Indirect expenses of the general insurance business are allocated to departmental revenue accounts on the basis of gross retained premiums of each department. Other administration expenses are charged to the statement of income.

Leases
The Company has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Liability adequacy test
At each statement of financial position date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Foreign currency translation
The presentation currency is UAE Dirhams (AED). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. This is also the functional currency of the Company. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in the statement of comprehensive income.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and return that are different from those of segments operating in other economic environments.

Product classification
Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes insignificant.

The Company does not have any investment contracts or any insurance contracts with Discretionary Participation Features (DPF).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Office equipment and vehicle
Office equipment and vehicle are stated at cost, less accumulated depreciation any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	3 to 5 years
Motor vehicles	3 years

The carrying values of office equipment and vehicles are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their value less costs to sell their value in use.

Investment properties
The Company has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Building	25 years

No depreciation is charged on freehold land.

Trade and settlement date accounting
All "regular way" purchases and sales of financial assets are recognised on the "trade date", i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Fair value of financial instruments
The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

The fair values of floating rate and overnight deposits with credit institutions are their carrying values. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

Financial assets
At initial recognition, all financial assets are measured at fair value.

Equity investments
For subsequent measurements, all financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or through profit or loss. This is an irrevocable choice that the Company has made on early adoption of IFRS 9 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss.

Gain or loss on disposal of equity investments are not recycled.

Dividend income for all equity investments are recorded through profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Debt instruments

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

i. the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
ii. the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Derecognition of financial instruments

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement
- The Company has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Reinsurance contracts held

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held (continued)
An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Insurance receivables
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in have been met.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

Insurance contract liabilities

(i) Unearned premium reserve
At the end of each year a proportion of net retained premiums of the general insurance, medical and group life business is provided to cover portions of risks which have not expired at the reporting date. The reserves are calculated in accordance with requirements of Insurance Law relating to insurance companies at 40% of annual premiums earned net of reinsurance for all classes of insurance except marine which is calculated at 25%. Unearned premium reserves for medical and group life business are calculated on a time proportion basis.

(ii) Additional reserve
A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

a) claims reported during the year
b) delay in reporting these claims

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contract liabilities- continued

(iii) Outstanding claims
Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

Payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' end of service benefits
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of properties
Management decides whether a property under construction will be used upon completion as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as fair value through statement of income or at fair value through OCI.

Operating lease commitments
The Company has entered into commercial property leases on its investment property. The Company, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Additional reserve
A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

c) claims reported during the year
d) delay in reporting these claims

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same ;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Provision for outstanding claims, whether reported or not
Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Impairment losses on insurance receivables
The Company reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, the Company also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Reinsurance
The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a regular basis the evolution of disputes with and the strength of its reinsurers.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3 INSURANCE PREMIUM REVENUE

Year 2010	*General Insurance*			*Life Assurance*			*Total*		
	Gross AED'000	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***
Gross premium	116,312	(73,344)	42,968	93,700	(48,375)	45,325	210,012	(121,719)	88,293
Movement in provision for unearned premium	(12,502)	8,930	(3,572)	(4,498)	3,798	(700)	(17,000)	12,728	(4,272)
Insurance premium revenue	**103,810**	**(64,414)**	**39,396**	**89,202**	**(44,577)**	**44,625**	**193,012**	**(108,991)**	**84,021**
Unearned premium as of 31 December (Note 21)	**45,119**	**(28,113)**	**17,006**	**19,025**	**(17,353)**	**1,672**	**64,144**	**(45,466)**	**18,678**

Year 2009	*General Insurance*			*Life Assurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Gross premium	83,758	(49,862)	33,896	76,782	(33,099)	43,683	160,540	(82,961)	77,579
Movement in provision for unearned premium	(4,819)	2,865	(1,954)	(4,502)	6,364	1,862	(9,321)	9,229	(92)
Insurance premium revenue	78,939	(46,997)	31,942	72,280	(26,735)	45,545	151,219	(73,732)	77,487
Unearned premium as of 31 December (Note 21)	32,617	(19,183)	13,434	14,527	(13,555)	972	47,144	(32,738)	14,406

Insurance contracts premium includes AED 10,065 thousand (2009: AED 4,371 thousand) of reinsurance premium accepted.

4 CLAIMS

Year 2010

	General Insurance			*Life Assurance*			*Total*		
	Gross AED'000	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***
Claims paid	75,834	(54,747)	21,087	29,642	(15,964)	13,678	105,476	(70,711)	34,765
Changes in provision for outstanding claims	(17,425)	23,426	6,001	2,665	(2,063)	602	(14,760)	21,363	6,603
Movement in additional reserves (note 21(a))	-	-	-	(2,100)	-	(2,100)	(2,100)	-	(2,100)
	58,409	**(31,321)**	**27,088**	**30,207**	**(18,027)**	**12,180**	**88,616**	**(49,348)**	**39,268**

Year 2009

	General Insurance			*Life Assurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Claims paid	48,745	(29,933)	18,812	32,453	(19,152)	13,301	81,198	(49,085)	32,113
Changes in provision for outstanding claims	32,009	(31,012)	997	2,738	(2,714)	24	34,747	(33,726)	1,021
Movement in additional reserves (note 21(a))	500	-	500	1,800	-	1,800	2,300	-	2,300
	81,254	(60,945)	20,309	36,991	(21,866)	15,125	118,245	(82,811)	35,434

For details of the movement in the provision for outstanding claims and the related reinsurers' share, refer note 21(b).

5 SEGMENTAL INFORMATION

Identification of reportable segments

For management purposes, the Company is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment comprises motor, marine, fire, engineering, general accident and medical
- The life segment includes individual and group life insurance.
- Investment comprises investment and cash management for the Company's own account.

Transactions between operating segments are conducted at estimated market rates on an arm's length basis. Operating segment information is presented below:

	General insurance		*Life assurance*		*Total*	
	2010	*2009*	***2010***	*2009*	***2010***	*2009*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
UNDERWRITING INCOME						
Insurance premium revenue	**103,810**	78,939	**89,202**	72,280	**193,012**	151,219
Reinsurers' share of premium	**(64,414)**	(46,997)	**(44,577)**	(26,735)	**(108,991)**	(73,732)
Net insurance premium revenue	**39,396**	31,942	**44,625**	45,545	**84,021**	77,487
Commission income	**13,429**	12,797	**660**	391	**14,089**	13,188
Other income	**1,218**	105	**(317)**	960	**901**	1,065
	54,043	44,844	**44,968**	46,896	**99,011**	91,740
UNDERWRITING EXPENSES						
Claims	**58,409**	81,254	**30,207**	36,991	**88,616**	118,245
Reinsurers' share of claims	**(31,321)**	(60,945)	**(18,027)**	(21,866)	**(49,348)**	(82,811)
Net claims incurred	**27,088**	20,309	**12,180**	15,125	**39,268**	35,434
Commission expenses	**7,051**	5,563	**23,091**	21,598	**30,142**	27,161
Excess of loss reinsurance premium	**935**	1,202	**-**	-	**935**	1,202
General and administration expenses relating to underwriting activities	**5,692**	5,111	**4,471**	4,501	**10,163**	9,612
	40,766	32,185	**39,742**	41,224	**80,508**	73,409
NET UNDERWRITING INCOME	**13,277**	12,659	**5,226**	5,672	**18,503**	18,331
TOTAL INVESTMENT INCOME					**9,357**	11,345
Unallocated other expenses					**(4,313)**	(2,433)
PROFIT FOR THE YEAR					**23,547**	27,243

5 SEGMENTAL INFORMATION (continued)

OTHER INFORMATION

	General insurance		*Life assurance*		*Investment*		*Total*	
	2010	*2009*	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Segment assets	**222,914**	222,581	**45,498**	7,703	**210,054**	237,863	**478,466**	468,147
Segment liabilities	**164,523**	160,507	**36,129**	4,838	**-**	-	**200,652**	165,345
Capital expenditure	**465**	656		-	**-**	-	**465**	656
Depreciation	**862**	857		-	**735**	736	**1,597**	1,593

Secondary segment information
For operational and management reporting purposes, the Company is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

6 OTHER INVESTMENT INCOME

	2010	*2009*
	AED'000	*AED'000*
Rental income from investment properties	**1,817**	1,973
Investment property expenses	**(1,406)**	(1,494)
	411	479
Financial assets at fair value through profit or loss (held for trading purposes)		
Dividend income	**32**	35
Financial assets at fair value through other comprehensive income		
Dividend income	**6,629**	6,209
Cash and cash equivalents and statutory deposits interest income	**2,716**	3,647
	9,788	10,370

7 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2010	*2009*
	AED'000	*AED'000*
Staff costs	**8,765**	8,276
Rental costs – operating leases	**155**	280

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year, net of directors' fees by the weighted average number of shares outstanding during the year as follows:

	2010	*2009*
Profit for the year (AED'000)	**23,547**	27,243
Directors' fees (AED'000)	**(1,350)**	(900)
Net (AED'000)	**22,197**	26,343
Weighted average number of shares outstanding during the year	**100,000,000**	100,000,000
Earnings per share (AED)	**0.22**	0.26

The basic earnings per share as reported for the prior period has been adjusted for the effect of stock split up during the year. No figures for diluted earnings per share are presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

9 OFFICE EQUIPMENT AND VEHICLES

	Furniture and equipment AED'000	***Motor vehicles AED'000***	***Total AED'000***
Cost:			
At 1 January 2010	3,391	631	4,022
Additions	456	9	465
At 31 December 2010	**3,847**	**640**	**4,487**
Depreciation:			
At 1 January 2010	2,010	410	2,420
Charge for the year	758	104	862
At 31 December 2010	**2,768**	**514**	**3,282**
Net carrying amount:			
At 31 December 2010	**1,079**	**126**	**1,205**

	Furniture and equipment AED'000	*Motor vehicles AED'000*	*Total AED'000*
Cost:			
At 1 January 2009	2,924	442	3,366
Additions	467	189	656
At 31 December 2009	3,391	631	4,022
Depreciation:			
At 1 January 2009	1,325	238	1,563
Charge for the year	685	172	857
At 31 December 2009	2,010	410	2,420
Net carrying amount:			
At 31 December 2009	1,381	221	1,602

9 OFFICE EQUIPMENT AND VEHICLES (continued)

The depreciation charge for the year of AED 862 thousand (2009: AED 857 thousand) has been allocated as follows:

	2010 AED'000	*2009 AED'000*
Net underwriting income	**647**	643
Other expenses	**215**	214
	862	857

10 ADVANCES FOR PURCHASE OF LAND

	2010 AED'000	*2009 AED'000*
As at 1 January	**32,315**	21,653
Payments made during the year	**10,992**	10,662
	43,307	32,315

The Company's Board of Directors has resolved to construct the Company's head office on the land in foreseeable future.

11 INVESTMENT PROPERTIES

	Freehold land AED'000	*Building AED'000*	*Total AED'000*
Cost:			
At 1 January 2010	1,670	18,392	20,062
At 31 December 2010	**1,670**	**18,392**	**20,062**
Depreciation:			
At 1 January 2010	-	17,641	17,641
Charge for the year	-	735	735
At 31 December 2010	-	**18,376**	**18,376**
Net carrying amount:			
At 31 December 2010	**1,670**	**16**	**1,686**

Land and Building at Deira, Dubai
The fair value of the investment property as of 31 December 2010, based on a valuation undertaken by an independent qualified valuer, amounted to AED 55,000 thousand (2009: AED 63,000 thousand).

11 INVESTMENT PROPERTIES (continued)

	Freehold land AED'000	*Building AED'000*	*Total AED'000*
Cost:			
At 1 January 2009	1,670	18,392	20,062
Depreciation:			
At 1 January 2009	-	16,905	16,905
Charge for the year	-	736	736
At 31 December 2009	-	17,641	17,641
Net carrying amount:			
At 31 December 2009	1,670	751	2,421

12 FINANCIAL ASSETS

	Carrying value		*Fair value*	
	2010 AED'000	*2009 AED'000*	***2010 AED'000***	*2009 AED'000*
Financial assets				
Available for sale*	-	170,835	-	170,835
At fair value through profit or loss (Note 12a)	**59,718**	64,607	**59,718**	64,607
At fair value through other comprehensive income (Note 12b)	**148,650**	-	**148,650**	-
	208,368	235,442	**208,368**	235,442

* The Company has early adopted IFRS 9 from 1 January 2010 and reclassified, with effect from 1 January 2010, all available for sale financial assets that were still held at 31 December 2010 as financial assets at fair value through other comprehensive income.

12(a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 AED'000	*2009 AED'000*
a) Shares - quoted	**3,757**	4,188
b) Designated upon initial recognition		
Bank deposits with maturity over three months - unquoted	**55,961**	60,419
	59,718	64,607

12 FINANCIAL ASSETS (continued)

12(b) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

	2010 *AED'000*	*2009* *AED'000*
Shares – quoted	**138,450**	160,635
Shares – unquoted	**10,200**	10,200
	148,650	170,835

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Determination of fair value and fair values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *Fair value* *AED'000*
At 31 December 2010				
Financial instruments				
At fair value through profit or loss:				
Bank deposits	-	55,961	-	55,961
Equity securities	3,757	-	-	3,757
	3,757	**55,961**	-	**59,718**
At fair value through other comprehensive income:				
Quoted equity investments	138,450	-	-	138,450
Unquoted equity investments	-	-	10,200	10,200
	138,450	-	**10,200**	**148,650**
	142,207	**55,961**	**10,200**	**208,368**

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

A. Determination of fair value and fair values hierarchy (continued)

At 31 December 2009	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total Fair value AED'000*
Financial instruments				
At fair value through profit or loss:				
Bank deposits	-	60,419	-	60,419
Equity securities	4,188	-	-	4,188
	4,188	60,419	-	64,607
At fair value through other comprehensive income:				
Quoted equity investments	160,635	-	-	160,635
Unquoted equity investments	-	-	10,200	10,200
	160,635	-	10,200	170,835
	164,823	60,419	10,200	235,442

Financial instruments recorded at fair value

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole part or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Movements in level 3 financial instruments measured at fair value
The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

31 December 2010

	At 1 January 2010 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*Purchases AED'000*	*Sales AED'000*	*Total gain or loss recorded in OCI AED'000*	*Transfers AED'000*	*At 31 December 2010 AED'000*
Financial assets							
At fair value through other comprehensive income:							
Unquoted investments	10,200	-	-	-	-	-	10,200
Total level 3 financial assets	**10,200**	-	-	-	-	-	**10,200**

31 December 2009

	At 1 January 2009 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*Purchases AED'000*	*Sales AED'000*	*Total gain or loss recorded in OCI AED'000*	*Transfers AED'000*	*At 31 December 2009 AED'000*
Financial assets							
At fair value through other comprehensive income:							
Unquoted investments	12,880	-	-	(2,680)	-	-	10,200
Total level 3 financial assets	12,880	-	-	(2,680)	-	-	10,200

Gains or losses on level 3 financial instruments included in the profit or loss for the year:
No gains or losses on level 3 financial instruments were included in the profit or loss for the year.

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
For equity securities, the Company does not have a material exposure as at 31 December 2010 and, accordingly no sensitivity analysis has been done.

Fair value of financial assets and liabilities not carried at fair value
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Asset for which fair value approximates carrying value
For financial assets and financial liabilities that have short term maturities (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits and savings accounts without specific maturity.

14 INSURANCE RECEIVABLES

	2010 AED'000	2009 AED'000
Premiums and insurance companies' balances receivable	**92,484**	70,095
Due from re-insurance companies in respect of settled claims	**7,166**	8,227
	99,650	78,322

All of the above amounts are due within twelve month of the reporting date. The reinsurers' shares of claims not paid by the Company at the reporting date are disclosed in note 21. The amounts due from reinsurers are normally settled on a quarterly basis.

As at 31 December 2010, premiums and insurance companies' balances receivables at nominal value of AED 1,910 thousand (2009: AED 1,410 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2010 AED'000	2009 AED'000
At 1 January	**1,410**	1,410
Charge for the year	**500**	-
At 31 December	**1,910**	1,410

15 PREPAYMENTS AND OTHER RECEIVABLES

	2010 AED'000	2009 AED'000
Accrued income	**1,539**	1,320
Prepayments	**538**	604
Staff debtors and advances	**226**	299
Other receivables	**2,084**	1,722
	4,387	3,945

16 STATUTORY DEPOSITS

	2010 AED'000	2009 AED'000
Bank deposits:		
Amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007	**10,000**	10,000

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2010 *AED'000*	*2009* *AED'000*
Deposits with banks maturing within three months	**2,633**	-
Bank balances and cash	**23,965**	12,200
	26,598	12,200

18 SHARE CAPITAL

	2010 *AED'000*	*2009* *AED'000*
Issued and fully paid 100,000,000 shares of AED 1 each (2009: – 10,000,000 shares of AED 10 each)	**100,000**	100,000

19 RESERVES

NATURE AND PURPOSE OF RESERVES

- **STATUTORY RESERVE**

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the net profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law.

- **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

20 PROPOSED DIVIDENDS

	2010 AED'000	*2009 AED'000*
Declared and paid:		
Cash dividend for 2009 of AED 2.50 per share	**25,000**	-
Cash dividend for 2008 of AED 3 per share	-	30,000
	25,000	30,000

	2010 AED'000	*2009 AED'000*
Proposed for approval at Annual General Meeting:		
Cash dividend for 2010 of AED 0.25 per share	**25,000**	-
(2009: Cash dividend of AED 2.50 per share)	-	25,000
	25,000	25,000

21 INSURANCE CONTRACT ASSETS AND LIABILITIES

	Gross		*Reinsurers' share*		*Net*	
	2010 AED'000	*2009 AED'000*	***2010 AED'000***	*2009 AED'000*	***2010 AED'000***	*2009 AED'000*
Unearned premium reserve (Note 3)	**64,144**	47,144	**(45,466)**	(32,738)	**18,678**	14,406
Additional reserve (Note 21(a))	**3,500**	5,600	-	-	**3,500**	5,600
Outstanding claims (Note 21(b))	**57,314**	72,074	**(37,799)**	(59,162)	**19,515**	12,912
	124,958	124,818	**(83,265)**	(91,900)	**41,693**	32,918

21 (a) Additional Reserve

	General Insurance AED'000	*Life Assurance AED'000*	*Total AED'000*
At 1 January 2009	1,500	1,800	3,300
Increase (Note 4)	500	1,800	2,300
31 December 2009	2,000	3,600	5,600
Decrease (Note 4)	-	(2,100)	(2,100)
31 December 2010	**2,000**	**1,500**	**3,500**

21 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

21 (b) Outstanding claims

	General Insurance AED'000	*Life Assurance AED'000*	*Total AED'000*
At 1 January 2009:			
Outstanding claims	34,404	2,923	37,327
Due from reinsurers	(23,582)	(1,854)	(25,436)
	10,822	1,069	11,891
Net Increase (Note 4)	997	24	1,021
At 31 December 2009:			
Outstanding claims	66,413	5,661	72,074
Due from reinsurers	(54,594)	(4,568)	(59,162)
	11,819	1,093	12,912
Net Increase (Note 4)	6,001	602	6,603
At 31 December 2010:			
Outstanding claims	48,988	8,326	57,314
Due from reinsurers	(31,168)	(6,631)	(37,799)
	17,820	**1,695**	**19,515**

Claims development

There are no material amounts for which amount and timing of claim payment is not resolved within one year of the reporting date.

22 TRADE AND OTHER PAYABLES

	2010 AED'000	*2009 AED'000*
Premiums collected in advance	**3,655**	3,235
Provision for staff costs	**1,113**	1,513
Other creditors and accruals	**24,352**	12,274
Employees' end of service benefits (Note 23)	**1,371**	1,364
Dividends payable	**131**	131
	30,622	18,517

23 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2010 AED'000	*2009 AED'000*
Provision as at 1 January	**1,364**	1,089
Provided during the year	**244**	292
End of service benefits paid	**(237)**	(17)
Provision as at 31 December	**1,371**	1,364

24 RELATED PARTY TRANSACTIONS

Related parties represent, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Company's management.

The significant balances outstanding at 31 December in respect of related parties included in the financial statements are as follows:

	2010	*2009*
	AED'000	*AED'000*
Affiliates of major shareholders:		
Amounts due from related parties	**17,197**	13,287
Amounts due to related parties	**-**	272
Outstanding claims	**18,942**	16,106

The income and expenses in respect of related parties included in the financial statements are as follows:

	2010	*2009*
	AED'000	*AED'000*
Affiliates of major shareholders:		
Premiums	**67,658**	46,265
Claims	**31,580**	23,073
Rent received	**133**	221

Compensation of the key management personnel is as follows:

	2010	*2009*
	AED'000	*AED'000*
Short term employee benefits	**2,055**	2,057
End of service benefits	**68**	64
	2,123	2,121

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2010 and 31 December 2009, the Company has not recorded any impairment of amounts owed by related parties.

25 DIRECTORS' FEES

Directors' fees have been included as an appropriation of net profit for the year in accordance with the interpretation of the Commercial Companies Law of 1984 (as amended) by the Ministry of Economy.

26 RISK MANAGEMENT

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the General Manager and senior managers.

26 RISK MANAGEMENT (continued)

(a) Governance framework (continued)
The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The General Manager under the authority delegated from the board of directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework
The primary objective of the Company's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

(c) Regulatory framework
Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework
Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The General Manager actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The General Manager regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

26A Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company has a small portfolio of life assurance contracts.

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, motor, marine, medical, group life and personal accident risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

26 RISK MANAGEMENT (continued)

26A Insurance risk (continued)

Frequency and amounts of claims (continued)

Property
Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties. For property insurance contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim to AED 500 thousand.

Motor
Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has reinsurance cover for such claims to limit losses for any individual claim to AED 200 thousand.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine
Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance to limit losses for any individual claim to AED 125 thousand.

Medical, group life and personal accident
Medical insurance is designed to compensate the contract holders for medical costs. Group life and personal accident insurance entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical insurance, the main risks are illness and related healthcare costs. For group life and personal accident the main risks are claims from death and permanent or partial disability. The Company generally does not offer medical insurance to walk-in customers. Medical, group life and personal accident insurance are generally offered to corporate customers with large population to be covered under the policy.

Reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The Company deals with reinsurers approved by the Board of Directors.

The five largest reinsurers account for 81% of amounts due from reinsurance companies at 31 December 2010 (2009: 63%). The maximum theoretical credit risk exposure in this connection is mainly in Europe.

26B Financial risk

The Company's principal financial instruments are financial investments (at fair value through profit or loss and or other comprehensive income), receivables arising from insurance and reinsurance contracts, statutory deposits and cash and cash equivalents.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk (continued)

- The Company's investments at fair value through profit or loss or OCI are managed by the General Manager in accordance with the guidance of the Chairman and the supervision of the Board of Directors.
- The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	Notes	***2010* *AED'000***	*2009 AED'000*
Financial assets			
At fair value through profit or loss	12	**55,961**	60,419
Reinsurance assets	21	**83,265**	91,900
Insurance receivables	14	**99,650**	78,322
Other receivables (excluding prepayments)		**3,849**	3,341
Statutory deposits	16	**10,000**	10,000
Cash and cash equivalents	17	**26,598**	12,200
Total credit risk exposure		**279,323**	256,182

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.

Insurance receivables comprise a large number of customers and insurance companies mainly within the United Arab Emirates. Reinsurance assets are from reinsurance companies based mainly in Europe and the Middle East.

The Company's financial position can be analysed by the following geographical regions:

	2010			*2009*		
	Assets AED'000	***Liabilities and equity AED'000***	***Contingent liabilities and commitments AED'000***	*Assets AED'000*	*Liabilities and equity AED'000*	*Contingent liabilities and commitments AED'000*
United Arab Emirates	376,917	438,265	10,153	367,496	452,245	21,112
Europe	71,782	19,425	-	80,041	11,939	-
Rest of the world	29,767	20,776	-	20,610	3,963	-
Total	**478,466**	**478,466**	**10,153**	468,147	468,147	21,112

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

31 December 2010

	Neither past due nor impaired				
	High grade AED'000	***Standard grade AED'000***	***Sub-standard grade AED'000***	***Past due and impaired AED'000***	***Total AED'000***
Financial investments					
At fair value through profit or loss	**59,718**	-	-	-	**59,718**
At fair value through comprehensive income	**138,450**	**10,200**	-	-	**148,650**
Reinsurance assets	**83,265**	-	-	-	**83,265**
Insurance receivables	**99,650**	-	-	**1,910**	**101,560**
Other receivables (excluding prepayments)	**3,849**	-	-	-	**3,849**
Statutory deposits	**10,000**	-	-	-	**10,000**
Cash and cash equivalents	**26,598**	-	-	-	**26,598**
	421,530	**10,200**	-	**1,910**	**433,640**
Less: Impairment provision					**(1,910)**
					431,730

31 December 2009

	Neither past due nor impaired				
	High grade AED'000	*Standard grade AED'000*	*Sub-standard grade AED'000*	*Past due and impaired AED'000*	*Total AED'000*
Financial investments					
At fair value through profit or loss	64,607	-	-	-	64,607
Available for sale	160,635	10,200	-	-	170,835
Reinsurance assets	91,900	-	-	-	91,900
Insurance receivables	78,322	-	-	1,410	79,732
Other receivables (excluding prepayments)	3,341	-	-	-	3,341
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	12,200	-	-	-	12,200
	421,005	10,200	-	1,410	432,615
Less: Impairment provision					(1,410)
					431,205

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Credit risk **(continued)**
The following table provides an age analysis of receivables arising from insurance and reinsurance contracts past due but not impaired:

	Past due but not impaired							
	90 days AED'000	*91 to 180 days AED'000*	*181 to 270 days AED'000*	*271 to 365 days AED'000*	*> 365 days AED'000*	*Total AED'000*	*Past due and impaired AED'000*	*Total AED'000*
2010	**57,053**	**25,996**	**5,939**	**4,893**	**7,679**	**101,560**	**(1,910)**	**99,650**
2009	31,482	20,345	8,527	6,676	12,702	79,732	(1,410)	78,322

For assets to be classified as 'past due and impaired' the contractual payments in arrears are more than 180 days and an impairment adjustment is recorded in the statement of income for this. When the credit exposure is adequately secured or when management is confident of settlement, arrears more than 180 days might still be classified as 'past due but not impaired", with no impairment adjustment recorded.

Geographical risk
The Company's investments and cash and cash equivalents are from local companies and financial institutions.

In accordance with the requirement of Securities Authority and Commodities (Circular dated 12-10-2010) following are the details of geographical concentration of assets of Company's financial statements as of 31 December 2010 are mentioned below:

The insurance risk arising from insurance contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to last year.

(a) Investment property

Investment properties represent the Company's investments in freehold land and building situated in the Emirate of Dubai, United Arab Emirates.

(b) Financial assets – investments

Investments in financial assets represent investments in quoted and unquoted shares of companies incorporated in the United Arab Emirates.

(c) Cash and cash equivalents

Cash and cash equivalents of the Company are with Banks registered and operates in the United Arab Emirates.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its commitments associated with insurance contracts and financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Liquidity risk

The table below summarises the maturity of the assets and liabilities of the Company based on remaining contractual settlement dates.

	31 December 2010				*31 December 2009*			
	Less than one year AED'000	*More than one year AED'000*	*No Term AED'000*	*Total AED'000*	*Less than one year AED'000*	*More than one year AED'000*	*No Term AED'000*	*Total AED'000*
ASSETS								
Office equipment and vehicles	-	-	1,205	1,205	-	-	1,602	1,602
Investment property	-	-	1,686	1,686	-	-	2,421	2,421
Advances for purchase of land	-	-	43,307	43,307	-	-	32,315	32,315
Financial assets								
Financial asset at fair value through profit or loss	55,961	-	3,757	59,718	60,419	-	4,188	64,607
Financial assets at fair value through OCI/AFS	-	-	148,650	148,650	-	-	170,835	170,835
Reinsurance assets	83,265	-	-	83,265	91,900	-	-	91,900
Insurance receivables	99,650	-	-	99,650	78,322	-	-	78,322
Prepayments and other assets	4,387	-	-	4,387	3,945	-	-	3,945
Statutory deposits	-	-	10,000	10,000	-	-	10,000	10,000
Cash and cash equivalents	26,598	-	-	26,598	12,200	-	-	12,200
TOTAL ASSETS	269,861	-	208,605	478,466	246,786	-	221,361	468,147
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	100,000	100,000	-	-	100,000	100,000
Statutory reserve	-	-	49,296	49,296	-	-	46,941	46,941
General reserve	-	-	3,500	3,500	-	-	3,500	3,500
Retained earnings	-	-	77,710	77,710	-	-	82,868	82,868
Proposed dividends	-	-	25,000	25,000	-	-	25,000	25,000
Cumulative change in fair value reserve	-	-	22,308	22,308	-	-	44,493	44,493
Total equity	-	-	277,814	277,814	-	-	302,802	302,802
Liabilities								
Insurance contract liabilities	124,958	-	-	124,958	124,818	-	-	124,818
Amounts held under reinsurance treaties	10,494	-	-	10,494	8,969	-	-	8,969
Reinsurance balances payable	34,578	-	-	34,578	13,041	-	-	13,041
Trade and other payables	29,251	1,371	-	30,622	17,153	1,364	-	18,517
Total liabilities	199,281	1,371	-	200,652	163,981	1,364	-	165,345
TOTAL EQUITY AND LIABILITIES	199,281	1,371	277,814	478,466	163,981	1,364	302,802	468,147

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company is exposed to interest rate risk on certain of its investment in financial instruments held at fair value though profit or loss, designated upon initial recognition and statutory deposits. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

The maturities profile for all major classes of interest bearing financial instruments, fall due within less than 1 year as at 31 December are as follows:

31 December 2010

	Total AED'000	***Effective interest rate***
Time deposits	**68,594**	3% to 5%
	68,594	

31 December 2009

	Total AED'000	*Effective interest rate*
Time deposits	60,419	4.5% to 6%
	60,419	

There is no significant difference between contractual repricing or maturity dates.

26 RISK MANAGEMENT (continued)

26B Financial risk (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2010.

	Increase/ decrease in basis points	*Effect on profit for the year AED '000*
2010	**+25**	**171**
	-50	**(343)**
2009	+25	176
	-50	(352)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as financial assets at fair value through others comprehensive income at 31 December 2010) and on statement of income (as a result of changes in value of financial assets through profit or loss) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2010			*2009*		
	Change in equity price %	***Effect on equity AED'000***	***Effect on income statement AED'000***	*Change in equity price %*	*Effect on equity AED '000*	*Effect on income statement AED '000*
All investments – (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	**10**	**13,845**	**376**	10	16,064	419

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

27 CAPITAL COMMITMENTS

	2010 *AED'000*	*2009* *AED'000*
Commitment in respect of purchase of investment properties (plots of land in the UAE)	-	10,992

28 CONTINGENCIES

Contingent liabilities

At 31 December 2010 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 10,153 thousand (2009: AED 10,120 thousand).

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.